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# THE PUBLIC DEBT OF THE ARGENTINE REPUBLIC.

BY ALBERTO B. MARTINEZ.

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THE funded external debt of the Argentine Republic, for which provision was made in the Budget for 1901, amounts to \$386,004,118 in gold.

Although this is the Public Debt that figures among the nation's liabilities, it is necessary to observe that the entire sum cannot properly be considered as such, for a large proportion represents securities that are held by the nation itself. The aggregate value of such securities is \$31,980,135, gold. There is, besides, another very important item included in that sum, which is for payments made by the National Government for account of individual provinces, with funds provided by the latter. Under this group should be classified \$34,000,000 belonging to the Province of Buenos Aires, \$4,874,688 furnished to the Province of Santa Fé with which to settle all outstanding accounts and claims with the French Railroad Company of that province, \$7,245,315 of Entre Rios province, and \$7,699,998 of the "Banco Nacional" in liquidation, which, although a Government institution, advances the necessary funds itself to meet payment of this and other charges.

Deducting, therefore, these amounts from the \$386,004,118 at which the total debt is figured, it will be seen that the total funded indebtedness weighing upon the national revenues is \$300,203,982 gold.

I will hereafter show in what ratio this debt affects the nation's resources, what is its quota per capita of population, and how it compares with the national debts of other countries.

But first, it would be well to investigate the historical circumstances under which this debt was contracted and the reasons which justified it.

The first loan negotiated abroad by the Republic was made a few years after the declaration of its independence.

In 1822, the Province of Buenos Aires had the good fortune to find a progressive and liberal government in power, which, owing to the many good works and improvements initiated during its administration, looms up as a landmark in Argentine history. The then President was General Martin Rodriguez, and among the members of his cabinet were Bernardino Rivadavia and Manuel José García. That Government cast its penetrating glance across the vast wastes and desert tracts within the Argentine boundaries; considered the immense natural wealth lying undeveloped for lack of requisite resources, and realized that the three most immediate and vital requirements were:

1. The construction of a harbor adequate to the needs of traffic and interchange of produce with foreign markets;

2. A proper sanitary water supply, tending to promote the health of its inhabitants; and

3. The building of towns on the new frontier line to serve as advance posts of civilization, and as barriers to the frequent encroachments of the savage Indian tribes.

In order to carry out these important public works, the Government of 1822 decided to resort to foreign credits, negotiating a loan of £1,000,000 in six per cent. bonds and one per cent. sinking-fund provision through the firm of Baring Brothers of London.

Unfortunately, the Government disposed of the proceeds of this loan to establish a banking institution which was short-lived, and the public works referred to were not undertaken. Half a century elapsed before those improvements were at last carried out. This loan was negotiated in 1824 at seventy per cent., netting the Government \$3,500,000 gold.

For many years, during the tyrannical reign of Rosas, payment of interest on these bonds was suspended. In 1856, after the overthrow of despotism, the Government of Buenos Aires commissioned Señor Norberto de la Riestra to enter into negotiations with the creditors and offer them, not only the pledge of punctual payment on all future interest accruing, but also the payment of arrears in deferred-payment bonds bearing one, and one and a half and two per cent. interest progressively, throughout a certain number of years, with a one half per cent. sinking fund. To-day, after payment of interest for 76 years, during which time the Republic

has repaid many times over the sum received, there is yet outstanding in circulation from this loan the amount of £166,300.

The second loan raised by the nation was for the purpose of defraying the expenses of the war of 1865, provoked without reason by the "Tyrant of Paraguay." It was for \$15,600,000 gold, and was exclusively applied to the use above stated.

The third loan was in 1870 for the sum of \$5,214,888, gold, during the presidency of Señor Sarmiento, all devoted to public works.

Both this and the previous loan were later taken up and exchanged for refunded bonds bearing a lower rate of interest.

In more recent years, other loans have been negotiated by the Republic, which I will enumerate briefly.

The "Railroad" Bond issue, authorized by the legislature on October 2nd, 1880, was for \$12,000,000, with which to extend the lines of the North Central Railroad, and those of the Andes Railway Co., besides building a branch line to Santiago del Estero.

These bonds, which bear interest at six per cent., redeemable through a one per cent. sinking fund, were placed in London in 1881 at 91. The issue was for £2,450,000, but there are only at present in circulation £351,340.

The "National Public Funds" loan was authorized by the laws of October 12th, 1882, and June 28th, 1883, for \$8,571,000 national currency, the proceeds to be applied to the payment, by the Government, of the shares it had taken in the Banco Nacional, (to-day in liquidation). They are five per cent. interest bearing bonds with a one per cent. sinking fund. The original issue was for £1,714,200, of which £31,100 was amortized. The balance was taken by Messrs. Baring Brothers in March, 1884, at 84½. Consequently the actual amount in circulation is £1,683,700.

The bond issue sanctioned by legislature on October 27th, 1882, was for the purpose of undertaking the capital's harbor improvements, as a fresh impetus to foreign trade. The authorized emission was of \$20,000,000 in six per cent. bonds, with a sinking fund of one per cent.; but there are only £1,976,600 in circulation.

The "Public Works" bond issue for \$42,000,000 was authorized on October 21st, 1885, for the purpose of unifying various legislative enactments authorizing loans for different public works. These stocks bear five per cent. interest, redeemable through a

one per cent. sinking fund. The amount issued under the general bond was £8,333,000, of which £4,000,000 were placed on the London market in January, 1886, at 80, and the balance in January, 1887, at 85½. The total amount in circulation is £7,581,200.

The loan known as the "North Central Railroad loan" is divided into two series. The first, authorized by legislature on October 9th, 1886, was for \$20,000,000 gold. Of this sum, £3,968,200 were issued as follows: in London, June, 1887, £1,300,000, at 91½; April, 1888, £1,500,000, at 94; May, 1889, £1,168,200, at 97. The sum in circulation to-day is £3,768,400.

The second series, authorized on October 30th, 1889, October 16th, 1885, and October 9th, 1886, was for £15,000,000, gold, of which £2,976,000 were issued. Both issues were five per cents. with a one per cent. sinking fund, and were for the purpose of extending the lines of the North Central Railroad.

The "Banco Nacional" loan was approved by the law of December 2nd, 1888, authorizing a bond issue of \$10,291,000 gold, with which to pay off the Government's indebtedness to the "Banco Nacional." These securities, which are also five per cents. with a one per cent. sinking fund, were placed at 90.

The "Treasury Notes Refund Loan" was authorized on June 21st, 1887. The total approved issue was to have been \$5,078,330, national currency, but the amount actually issued was £624,000, in five per cent. bonds, with a one per cent. sinking fund. They were issued to replace the old nine per cent. Treasury bonds.

The "Province of Buenos Aires Government Loan" was authorized by legislature on August 15th, 1887. Its purpose was to enable the National Government to liquidate its outstanding indebtedness to the Government and to the Bank of the Province of Buenos Aires. The total issue was of \$19,868,500, gold, in four and one half per cent. bonds, amortizable through a one per cent. sinking fund. These bonds were delivered at 90.

"The Six Per Cent. Debts Refund Loan" was authorized on August 2nd, 1888, for the object of calling in and replacing all Government stocks bearing the above rate of interest, by new securities at four and a half per cent. interest and one per cent. amortization. These bonds were negotiated in London in February, 1889. The entire issue of £5,290,000 was placed at 90.

The "Hard Dollars Refund Loan," through legislative enact-

ment of July 2nd, 1889, authorized an issue of \$13,000,000, gold, in three and a half per cent. bonds with a one per cent. sinking fund, to refund all government debts contracted in hard dollars. The total sum issued was £2,659,500; that in circulation £2,443,340.

What is known as the "Consolidation Loan," authorized by an act of legislation on January 24th, 1891, is one of the most important operations of credit ever transacted by the Republic, and is interlinked with the political events of a period in the history of the Argentine, which it is of the greatest interest to investigate.

When, on the 6th of August, 1890, the government of the Republic was assumed by the new President, Señor Pellegrini, the country was suffering, to quote the words of the eminent Minister of Finance of that administration:

"From the effects of a political agitation carried to the highest excess, and was on the verge of the most violent and desperate financial crisis that ever confronted the Argentine Republic, and placed its honor in question.

"The national Treasury had exhausted all its resources in an effort to assist and save the credit of the 'Banco Nacional,' whose indebtedness, to the government, amounted to \$47,491,483, paper currency, and \$12,641,120, gold; in favor of foreign creditors to \$18,540,186, gold, and to local creditors, \$11,644,000, gold.

"Furthermore, if the situation of the Banco Nacional was precarious that in which the 'Banco Hipotecario Nacional' and the Municipality of Buenos Aires found themselves was no less serious. The former institution was unable to collect \$1,690,833, paper currency, and \$556,374, gold, outstanding for unpaid interest on loans, and the Buenos Aires Corporation was burdened with debts amounting to \$34,646,553, in paper currency, and \$461,698, in gold, of internal debt, besides \$9,800,000 of foreign indebtedness."

The new Government at once concentrated all its energies towards rehabilitating the credit of the Banco Nacional, placing the "Banco Hipotecario" in a position to enable it to continue to facilitate real estate transactions and conveyances of property, and reimburse itself for unsecured advances previously made, of regulating the disorders in every department of the municipality of Buenos Aires and placing it on a self-sustaining basis, and finally of either paying off, or coming to some agreement about, the foreign debt.

The fundamental basis of this important transaction was, in the language of the President's message accompanying the pro-

ject, "to give the country a period of economic rest, suspending for a judicious length of time the exportation of the coin or bullion needed for the payment of interest on debts contracted by the nation abroad."

The principal conditions of this financial transaction amounted to a bilateral contract between the Government of the Republic and the banking concerns interested. By virtue of this agreement, the banks undertook to pay the interest on the funded debt and the subventions to the railroad companies, for a period of three years, taking in payment the equivalent in bonds to be issued by themselves at par value. The yearly emission of such bonds would, of course, depend on the sum required for the service of the public debt. The Argentine Republic on its side agreed to guarantee these bonds (which were six per cents.) with the receipts of the custom houses, receiving in payment of duties coupons or certificates maturing within the year. The nation solemnly agreed and bound itself, furthermore, in no wise to increase its external obligations, either in the form of new loans or in subventions, during the three years stipulated in the "Moratorium" agreement.

The total authorized issue was \$75,000,000, gold, in bonds bearing the high rate of six per cent. interest, redeemable after three years and within thirty. The coupons of these bonds were to serve, as before explained, in payment of customs duties.

Fortunately, only \$38,458,627, gold, were issued, leaving an authorized unissued balance of \$36,541,373.

The "Sanitary Measures Loan," authorized by legislative enactment of January 30th, 1891, for \$33,750,000, gold, in five per cent. annuities and one per cent. amortization, had the following origin:

The Juarez Celman administration that immediately preceded that of Señor Pellegrini, carrying to extremes the Spencerian doctrine, that the state is ever a poor administrator, falling into grave financial and political errors that later cost the country very dear, decided to turn over to private parties all the industrial enterprises or franchises that were the nation's property, among which were the water and sewerage systems of the City of Buenos Aires.

Very soon, however, it was evident to all that a serious error had been committed. The company that took charge of those

two important services had no further interest than that of exploiting the public to its own advantage, which gave rise to repeated protests and complaints from the masses and classes alike. The Pellegrini Government, which came into power on August 6th, 1890, realized that it was not only an act of good administration, but at the same time an able political move, to have these monopolies revert to the state's control, and obtained, through an act of legislature, authority to negotiate a loan of \$33,750,000 for this purpose. Under this authorization the sum of \$31,874,976, gold, was issued in five per cent. bonds, with a one per cent. sinking fund.

The loan known as "Rescission of Railroad Subventions" authorized by legal enactments dated January 10th, 1896, and December 31st, 1898, was contracted for the purpose of relieving the state from the onerous burden entailed by the grant to the Railroad Companies of an annuity of six per cent. on the total capital invested in the construction of railways throughout the country. It cost \$58,499,784, gold, to accomplish this end, for which sum four per cent. interest-bearing bonds were issued, with a sinking fund of one half per cent.

The loan for the "Refunding of Provincial Debts," authorized on August 8th, 1896, is justified by the highest considerations of national solidarity, and of the prestige of Argentine credit. The enormous indebtedness contracted by the provinces, due in a great measure to the imprudence of European bankers, to the inflation of values following the heavy importations of borrowed gold, due also to the facility for obtaining credits, followed by the prodigal and thoughtless employment of such moneys, with the attendant consequences of insolvency and bankruptcy, had well-nigh, says ex-Minister Rosas, dealt a death-blow to the nation's credit. The National Government, it must be remembered, had taken no part in the contracting of those debts, had not intervened, in a single one of the loans, and was under no legal obligation whatever to accept such serious responsibilities; but at the same time, the discredit brought about by the state of insolvency of the individual provinces in every market of Europe, could not but affect the nation's credit. The National Government could not, on the other hand, remain indifferent to the perilous situation in which such a state of affairs had plunged the provinces. The national revenues for the most part were all pledged already,



and, as above explained, the Government had acknowledged to the world its inability to pay full interest on its public debt for many years. Under these circumstances, legal action taken by the country's creditors would have seriously interfered with the administration of government, would have blocked the development of the country's natural riches, curtailed agricultural and industrial production, and generally injured Argentine prospects. These powerful considerations were what decided the national authorities to offer to assist the provinces to make fair and reasonable arrangements with their creditors abroad, and as far as possible, to free them from the weight of such appalling responsibilities.

The basis on which the greater part of these arrangements was made, was that of an exchange of four and a half per cent. stocks of the internal debt or provincial securities, for four per cent. bonds of the funded national debt, which the National Government agreed to deliver to the respective creditors of the former.

The grand total of the debts contracted by the provinces was \$151,775,953.35, gold; in full settlement and complete cancellation of which indebtedness, the National Government delivered to the creditors the sum of \$85,999,499.82, gold, in four per cent. bonds.

The interest on these bonds, together with the sinking fund appropriations, amounts to \$3,869,977.49 a year. The National Government acquired, through this transaction, four and a half per cent. bonds of the internal debt of the "Subventioned Banks" law, to an amount of \$45,876,164.82, interest and amortization on which aggregates \$2,523,189.06. Adding to this figure, the \$1,360,000, gold, which Buenos Aires contributes yearly, and the \$256,103 from the Entre Rios province, we have a total of \$4,139,292.06, as against an expenditure of \$3,869,977.49. This exchange of internal for external debt securities produces a momentary profit of \$269,314.57 in favor of the nation.

The Municipal Bonds Refund Loan authorized by legislation September 25th, 1897, and December 15th, 1898, provided for an issue of \$7,700,000, gold, in four per cent. bonds with a one half per cent. sinking fund. The proceeds of this issue were to apply to the payment of claims of the creditors of the "Banco Nacional" in liquidation.

The law of January 5th, 1899, authorized a loan of \$30,000,000,

gold, with which to cancel outstanding debts of the public treasury, guaranteed by the liquor tax, up to \$4,000,000, gold, a year. Fortunately, this loan was never carried into effect, and is not likely to be issued in the future.

Such are, briefly, the antecedents of the various external debts contracted by the nation.

Let us now examine the details of the consolidated internal debt, interest on which figures in the National Budget.

The following table gives the different items of the debt:

	In Circulation December 31, 1900	
	Gold.	National Currency.
Bank Subventions. Law of November 3, 1887.		
Rescission of guarantees.....	\$3,125,000	—
November 3, 1887;		
Bank of the province of Mendoza.....	3,000,000	—
November 3, 1887;		
British Bank .....	250,000	—
Pensions, War of Independence. Law of September 2, 1881 .....	—	142,083
Pensions, Brazilian War. Law of June 30, 1884.	—	398,100
Refund National Bank Stock. Law of October 16, 1891 .....	—	11,876,000
Consolidated Internal Debt. Law of January 5, 1894 .....	—	17,139,000
National Internal Debt. Law of June 23, 1891.	—	17,299,100
Extinction of the Lobster. Law of August 7, 1897 .....	—	5,312,000
National Board of Education. Law of January 15, 1898 .....	—	5,874,900
Popular Internal Loan. Law of May 17, 1898.	—	41,354,500
Total.....	\$6,375,000	\$99,395,683

From the above sum of \$99,395,683, paper currency, should be deducted \$5,931,700, the amount of the bonds of the loan for the consolidation of the floating debt of 1894, which securities are held by the National Government. This reduces the consolidated or funded internal debt to \$93,463,983, in paper currency.

In the case of several of these loans, as for instance the "Consolidation of the Floating Debt, 1894," the "Extinction of the Lobster," and the "Popular Internal Loan, 1898," provision is made for the rapid reduction of the indebtedness by means of the sinking fund, so that most of these debts will be extinguished at a relatively early date.

The bonds of the "Bank Subventions" loan, bear four and a

half per cent. interest, amortizable at one per cent.; those of the "Pensions" of the War of Independence and Brazilian wars, five per cent. and one per cent.; the "Refund of National Bank Stock" bonds, six per cent. and one per cent.; the "Internal Consolidated Debt," 1894, six per cent. interest with a six per cent. sinking fund; the "National Internal Loan," six per cent. and two per cent.; the Extinction of the Lobster, six per cent. interest and six per cent. amortization; the "National Board of Education" bonds five per cent. and one per cent.; and, finally, the Popular Internal Loan of 1898, with bonds bearing six per cent. interest and a rate of amortization of four per cent.

Returning to the External Debt, it should be noted that, among the nation's liabilities, there are:

- 3 loans aggregating \$41,067,532.80, bearing 6 per cent. interest.
- 8 loans aggregating \$133,176,375, bearing 5 per cent. interest.
- 2 loans aggregating \$43,702,082, bearing  $4\frac{1}{2}$  per cent. interest.
- 12 loans aggregating \$155,743,094, bearing 4 per cent. interest.
- 1 loan amounting to \$12,314,433, bearing  $3\frac{1}{2}$  per cent. interest.

The mere enumeration of the different rates of interest at which the external debt of the Republic is at present taxed, shows the necessity of an attempt tending towards the consolidation or unification of the debt, so as to modify its present irregular aspect and remove that source of danger to the nation's credit.

It is necessary to begin by calling in all the bonds of the Morgan loan of 1891, and all other six per cent. securities, then all five per cent. and four and a half per cent. stocks, until a general and total unification is accomplished at a standard rate of four per cent. as corresponds to the Republic's credit.

A recapitulation of the foregoing figures shows that the total external debt bearing on the National Treasury (after deducting the value of the securities held by the Government itself, and the sums actually provided by the provinces) amounts to \$300,203,982, gold; and that the total internal debt (also after deducting the value of securities held by the Government) reaches \$6,375,000 in gold, and \$93,463,983 in paper currency.

We shall now study the budget and discover what proportion the public debt bears to the total estimate of national expenditures.

According to the Budget for 1901, the nation applies the following sums to payment of interest and amortization on its External and Internal Debts:

	External Debt.	International Debt.	
	Gold.	Gold.	National Currency.
Interest or annuities.....	\$17,746,469.65	\$168,750	\$6,046,666.67
Sinking Fund .....	4,311,426.28	35,000	6,047,143.45
Commissions .....	132,132.15	—	—
Total.....	\$22,190,028.08	203,750	\$12,093,810.12

In addition to this, an item of \$2,000,000, gold, figures in the Budget under the Public Debts appropriation, for "expenses connected with the payment of interests on sums advanced, losses and discounts on remittances, stamps on bills of exchange, fees, commissions, brokerage and other expenses incidental to the public debt." Although this amount does not in reality form part of the sums paid over to the creditors in payment of the debt, it nevertheless is directly chargeable to the Public Debt account, as it is indispensable to the service, in permitting the Director of Finance by its means, to make transactions at short notice incidental to the funded debt, which would be otherwise impossible. Therefore, in computing the total expenditures incurred in the service of the Public Debt, that charge must of necessity be taken into account.

The nation, therefore, required in 1901, \$22,190,028, gold, for the service of the External Debt, and \$12,093,810 in national paper currency; and \$203,750, in gold, for the Internal Debt, plus \$2,000,000, in gold, for discounts, interest on sums advanced, brokerage, etc.—or, in other words, a total of \$24,393,778, in gold, and \$12,093,810 in paper currency.\*

But out of this sum the government receives \$1,930,379, in gold, for interest accruing on bonds held by itself.

The total Budget of expenditures for all branches and departments of the government for 1901 amounted to \$24,094,796, in gold, (after deducting the \$1,930,379 reverting to the Government for interest on securities), and \$89,940,499, national currency, which at the legal rate is equivalent to \$39,573,819, in gold, making an aggregate total of \$65,598,994, in gold, of which the service of the Public Debt absorbs \$27,744,675, or forty-four per cent. of the total national expenditures.

This ratio is enormous, but in extenuation it should be remarked that in the figures given for the service of the Public Debt,

\* The last legislative enactment fixed the value of a dollar currency at forty-four cents gold.

there are included the sums of \$4,311,426, in gold, and \$6,047,143, national currency, destined to the extinction of equal amounts of indebtedness through the operation of the sinking fund, which, instead of being an expense, is economy.

Nevertheless, the figure that still remains is enormous. With a population of 4,500,000, the *per-capita* burden on each and every inhabitant of the Argentine Republic for the payment of the public debt alone is almost \$7, in gold.

With these facts and figures before us, is it permissible or fair to apply to the existing conditions in the Argentine Republic the doctrine held by so many authorities on Political Economy, that, when the obligations of its Public Debt exceed forty per cent. of the total budget, or revenues of a nation, a crisis has been reached in which that nation stands on the brink of ruin and bankruptcy?

Undoubtedly that theory is based on sound principles of financial science and confirmed by the experience of several nations, but it must be remembered that such teachings are mainly applicable to European nations, to the Old World, where the growth of population, the increase of wealth and all the phenomena of social and economic existence, develop in a regular, measured way; but not to a new and unexploited country like the Argentine, of vast natural and undeveloped resources, susceptible of momentary and unforeseen increase in wealth and population, and where events succeed each other with lightning rapidity.

The authors to whom I have reference admit, moreover, that in calculating the ratio, in which the Public Debt can be said to burden or tax a nation's resources, there are many elements to be taken into consideration. This statement renders investigation by comparison along these lines extremely difficult.

The total amount of the Public Debt is not, in itself, sufficient to enable the student to ascertain the financial condition of a nation, for it might well happen, as in the case of Australia, that the proceeds of the debt contracted had been invested in productive works, yielding vast revenues to the National Treasury.

Nor is the *per-capita* quota of a public debt a safe indication of a nation's financial buoyancy. As a dead-weight of 50 kilos., let us say, might overtax the strength of the weakling, while comparatively light to the athlete, it is possible that a public debt that appears exorbitant to one nation can be easily taken care of by another, according to its vitality and resources.

The only way, therefore, to satisfactorily calculate the burden of a public debt is by comparison with the public wealth and with the chances and prospects of its increase and development. Following this line of investigation, it will be found that the Argentine Republic holds out the most promising hopes and gives evidence of the most encouraging results already accomplished, which induce a relative assurance of its ability to meet its future obligations. If the value of a nation's exports can be taken as a sign of its commercial prosperity, a glance at the increase in shipments of produce to foreign markets from Argentine ports in the past decade, should prove most encouraging. In 1890, Argentina's exports amounted to \$100,818,000; in 1899, they reached \$181,917,000, in gold!

Simultaneously with the increase in her export trade, Argentina has developed her revenue-making power with extraordinary elasticity, making it possible for the Government to undertake important public works, to perfect the branches of administration, to build up and equip the foremost navy in South America, and spread the blessings of primary and secondary education by means of public schools throughout its territory.

In 1889 the total revenues amounted to \$72,903,756, and in 1890 to \$73,150,856, national currency; in 1899 they had increased to \$45,676,188.82 in gold, and \$61,419,990.16, national currency; while in 1900 they were \$36,249,351.41 in gold, and \$62,128,968.80 national currency.

A country in which such rapid strides are made in the line of progress is surely in a sufficiently healthy condition to shoulder, without misgivings for the future, the weight and responsibility of its Public Debt, large as it is. But this confidence in its own resources should not blind its people to the fact that its present condition is a very delicate one, that any reverse or setback, such as the loss of its crops, a visitation of the plague, the closing to its produce of international markets, or a sudden decline in the value of its exportable products, is liable to place the nation in a critical position. The most rigid economy and discretion in the management of its finances are the nation's first duty.

But this alone is not sufficient. It is necessary that, on their side, the foreign creditors of the Republic should realize how extremely delicate the situation is, and that, interested as they are in securing their investments, they should be willing to accept

some form of arrangement, whereby a short recuperative rest might be granted to the National Treasury, even to the extent of renouncing temporarily the collection of interest on their capital, on condition that such momentary loss should later be compensated for, by the issuing of new bonds.

They should take into account, that, if out of a total revenue of \$65,598,000, the Republic applies \$27,744,675 to the requirements of the Public Debt, the remaining \$37,854,000 are hardly sufficient to meet current expenses of government, and also to provide the necessary funds for undertaking improvements and public works indispensable to the development of a new country lacking in roads, canals, ports and other necessary instruments of commercial reorganization and prosperity.

The nation's creditors should, furthermore, be well satisfied with the uses to which the money they loaned has been put. It is true that a small proportion of this money was not applied to the purpose for which it was borrowed; but it is no less a fact that the greater part of it has been employed in the carrying-out of works of important national usefulness, which could not otherwise have been accomplished.

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